

County looking for ways to increase rural land values

■ Report explores trading
development rights for
commercial development

BY TITUS LEDBETTER III
STAFF WRITER

Members of the county Planning Board expressed concern last week about a report from a senior policy advisor on how pending Transferable Development Rights legislation could be applied to new master plans — and possibly commercial zones — in the future.

A report by Richard Tustian explains how the Transferable Development Rights (TDR) program can increase the value of land in the county's 93,000-acre Agricultural Reserve by applying the TDRs to commercial land. It has only been applied to residential land.

Zoning in the Agricultural Reserve was changed in 1981 to allow only one house for every 25 acres on land that formerly allowed one house for every 5 acres.

To compensate the owners of that land, the county gave landowners one Transferable Development Right (TDR) for every house the owner would have been able to build before

CONT.

VALUES

the county downzoned the land.

To regain the land value that was lost in the rezoning, farmers sell building rights to residential developers in areas where the county wants to increase the density, called TDR receiving areas. Developers buy the TDRs to build more houses than normally allowed.

In residential zones, a two-thirds requirement is placed on developers using TDRs, meaning a developer in a TDR receiving area must buy two-thirds of the maximum density available for a parcel in order to use TDRs.

The Planning Board recently collected information that indicates there is a shortfall of where to located between 3,685 and 7,840 potential housing units that could be built under the TDR program.

During a County Council Planning, Housing and Economic Development Committee worksession later the same day,

council members also voiced concern over the shortfall.

"The magnitude of the problem is a lot bigger than anybody thought," Councilman Marc Elrich (D-At Large) of Takoma Park said after the worksession.

The council will have to encourage developers to increase the rate at which they buy TDRs, he said.

"The other side of it is the rest of the county has rights and expectations as well," Elrich said. "A number of us share the concern that this can't be the excuse to put massive amounts of density in places that don't have the capacity for it."

The complex issue is one of creating incentives for both the buyers and the sellers of TDRs. County Council President Michael J. Knapp (D-Dist. 2) of Germantown said after the worksession.

"At some point we are going to have to put a time limit [or] some type of incentive that forces both the buyers and sellers to really accelerate the process," he said. "Otherwise, I

think this just takes too long and doesn't create the desired effect of creating density in the right places or providing the seller with the maximum value as a return on their investment."

Marlene Michaelson, a senior legislative analyst for the County Council, wrote in a report to the committee that for the program to work, "there must be sufficient TDR receiving areas to provide a market for the purchase of TDRs from property owners in the Agricultural Reserve."

The County Council has been grappling with the possibility of expanding the TDR program to allow TDRs for commercial uses as well as residential areas.

The report is based on the assumption that a developer would be just as willing to buy retail space as residential space under the program. It outlined a conversion rate making one TDR equal to 1,500 square feet of retail space. The conversion rate was created in an attempt to keep prices constant between commercial and residential TDRs on a per-square-foot basis.

"That is the assumption and I don't think the method is as simple as you are characterizing it," Commission John Robinson said at a briefing last Thursday by Tustian. "I think it has the ability to be really fairly sophisticated based on what you have done so far."

Commissioner Alison Bryant

said the recommendations for the TDR program outlined in the report needed greater flexibility in order to work. However, the report successfully determines that the issue is not too complicated to pursue, he said, and he was confident a logical solution to the issue could be developed in the future.

Funding for BLTs
needed, too

Last week's report also outlined funding alternatives for the Buildable Lot Termination (BLT) program that was introduced by the Agricultural Policy Working Group.

The working group's 15 members were appointed by the County Council in April 2006 and included farmers, property owners, former elected officials and agricultural advocacy leaders. The group spent eight months formulating recommendations for preserving the county's Agricultural Reserve.

Under the BLT program, one of every five TDRs would become more valuable because it could be used to build a house within the Agricultural Reserve for use by a family member of the landowner.

About 1,600 buildable lots remain in the Agricultural Reserve, according to the memorandum for last week's briefing.

"We don't need to have immediately 1,600 receiving opportunities," Planning Board

Chairman Royce Hanson said. "We need maybe 100 receiving opportunities to get a market started and to find areas where we can begin to add."

The county must help to pay for the BLT program because a buildable TDR would be worth more than \$400,000 and it would not be profitable for a developer to buy a residential buildable TDR, according to Tustian's report. Non-buildable residential TDRs have reached as much as \$400,000, he said.

Although the BLT proposal received near unanimous support when released last July, County Council members by August were concerned about the difficulty of coming up with the \$200 million over the next 10 years that will be required to fund the program.

Robinson favored exploring the market system because it would set up a trading system that would show how much of the market is tied to whether a TDR is for commercial or residential use. Hanson and Bryant also agreed that exploring the market-based system would be useful.

Commissioners Jean Cryor and Gene Lynch were absent from last week's briefing.

"The board wants us to explore all aspects of the problem," Tustian said in a phone interview Monday. "They did green light putting more work into setting up a trading system for BLTs."